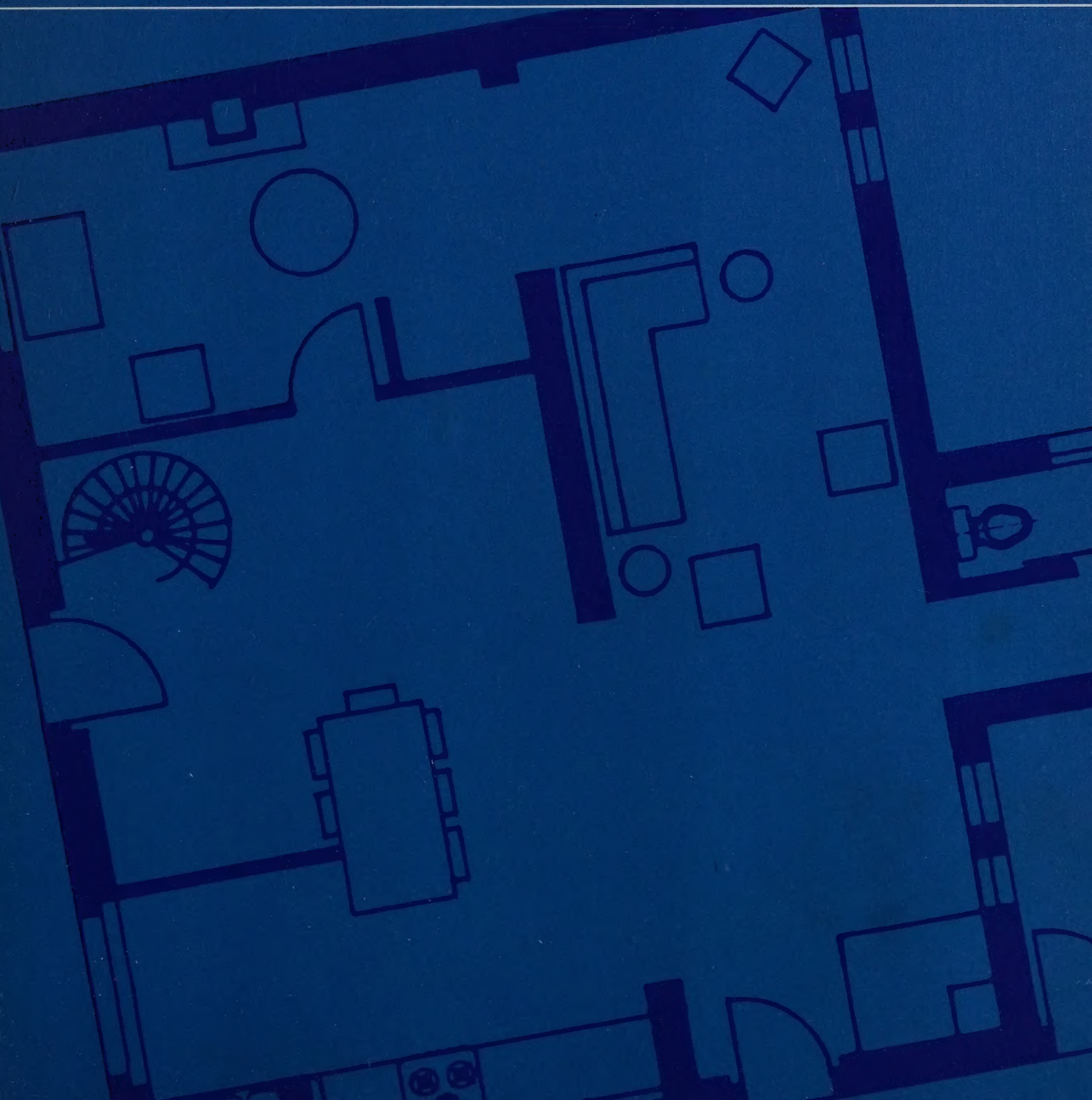


AR48



Commerce
Capital
Mortgage

Annual Report
1976





Commerce Capital Mortgage Corporation

Directors

A. L. Beattie, Q.C., Toronto,
Partner,
Osler, Hoskin & Harcourt

C. J. Cann, C.G.A., Toronto,
President,
Commerce Capital Mortgage Corporation

T. L. Charne, Q.C., Winnipeg,
President,
Commerce Capital Properties Limited

M. Gaasenbeek, Toronto,
Vice-President,
Midland Doherty Limited

D. C. Hannaford, Montreal,
President,
Mead & Co. Limited

J. A. McCleery, F.C.A., Toronto,
President,
J. A. McCleery Limited

C. Orenstein, Toronto,
President,
Consolidated Hotel Management
Company Limited

R. H. E. Walker, Q.C., Montreal,
Partner,
Martineau, Walker, Allison,
Beaulieu, MacKell & Clermont

J. B. Whitely, Montreal,
President,
Commerce Capital Corporation Limited

Officers

J. B. Whitely
Chairman

C. J. Cann, C.G.A.
President

G. R. Greer
Vice-President

G. A. Hill, C.A.
Secretary and Treasurer

K. Hiramitsu
Assistant Treasurer

Auditors

Thorne Riddell & Co.
Toronto

Counsel

Osler, Hoskin & Harcourt
Toronto

Head Office

8 King Street East, Suite 300
Toronto, Canada M5C 1B5

To The Shareholders

This year of operations was one of continued progress for Commerce Capital Mortgage in terms of achieving new highs in both assets and earnings. These results were accomplished through the expansion of mortgage activities, the maintenance of interest rate spreads, the control of costs and the implementation of new corporate programs.

Net earnings reached \$549,000 compared to \$355,000 in 1975, a 55% improvement. After taking into account an increase in the average number of shares outstanding, this represents \$3.29 per share compared to \$3.13. Total assets also showed excellent growth, increasing from \$40 million to \$53 million for a 32% gain.

The Company's volume of business continued to expand with mortgage funds being committed on over 750 properties. Most of these loans were secured by single family dwellings in accordance with our established lending policy. Mortgage Fund B again accounted for most of the business written as its assets rose by \$12 million. This growth was financed through the sale of \$17 million in Commerce Capital Mortgage Series B bonds. Assets of Mortgage Fund A, comprised of N.H.A. loans, continued to decline to a level of \$1.1 million with the proceeds being applied to outstanding bank indebtedness.

The General Fund, representing shareholders' equity, increased by \$1.2

million. This increase resulted from the successful completion of a rights issue to shareholders, raising an additional \$567,000 of new share capital, and from earnings retained after payment of dividends of \$1.00 per share.

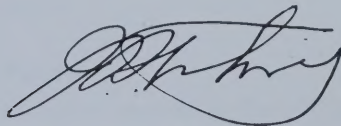
Shareholders at a Special General Meeting of the Company on October 19, 1976 approved a change of name from General Mortgage Corporation of Canada to Commerce Capital Mortgage Corporation and ratification of the change has since been received from regulatory authorities. The purpose of the new name is to create a common identity with the parent company Commerce Capital Corporation Limited and its subsidiaries.

As noted above, the Company was very successful in its Series B bond financing program. This was due, in part, to a broader penetration of the savings market through the facilities of our associated company, Commerce Capital Trust. By utilizing the Trust Company's branch network and our investment dealer underwriting group, we were able to provide more effective cash management. Another area of cooperation between Commerce Capital Trust and ourselves is in the mortgage lending field. In July, we assumed responsibility for the direction of the Trust Company's Ontario mortgage lending activities. By combining our efforts in this way we are able to provide a higher quality of service to the public.

Due to the substantial expansion of our operations, it has been necessary to increase our management strength and move to new expanded premises.

In April, Mr. T. L. Charne was elected a new Director of the Company to fill the vacancy created by the resignation of Mr. D. A. Ross. Mr. Charne is a Director and Vice-President of Commerce Capital Corporation Limited and President of Commerce Capital Properties Limited.

In the past year we established a firm base for future growth and look forward to another successful year in 1977.

A handwritten signature in dark ink, appearing to read 'J. B. Whitely', with a large, sweeping flourish at the end.

J. B. Whitely
Chairman

January 31, 1977
Toronto



Commerce Capital Mortgage Corporation

(Incorporated by Special Act of Parliament under the laws of Canada)

Balance Sheet

as at December 31, 1976

Assets

	<u>1976</u>	<u>1975</u>
General Fund		
Cash	\$ 13,652	\$ 5,290
Investment in preferred stocks, at cost (quoted market value 1976, \$415,460; 1975, \$544,509)	557,372	744,359
Mortgages receivable	3,196,548	1,997,581
Office equipment and leasehold improvements, at cost less accumulated depreciation of \$34,844 (1975, \$36,181)	151,663	33,004
Unamortized financing expenses	534,578	456,768
	<u>4,453,813</u>	<u>3,237,002</u>
Mortgage Fund A		
Cash	55,358	18,554
Mortgages receivable, issued under the National Housing Act	1,046,755	1,202,450
	<u>1,102,113</u>	<u>1,221,004</u>
Mortgage Fund B		
Cash	60,205	76,383
Short term investments	2,650,000	300,000
Mortgages receivable	44,296,563	35,097,262
	<u>47,006,768</u>	<u>35,473,645</u>
	<u>\$52,562,694</u>	<u>\$39,931,651</u>

We hereby certify that to the best of our knowledge and belief the foregoing balance sheet is correct and shows truly and clearly the financial condition of the company's affairs.

J. B. WHITELEY, Director and Chairman

C. J. CANN, Director and President

G. A. HILL, Secretary and Treasurer

Liabilities

1976

1975

General Fund

Accounts payable and accrued liabilities	\$ 115,012	\$ 6,930
Income and other taxes payable	210,966	177,768
	<u>325,978</u>	<u>184,698</u>
Deferred service fees	329,695	292,374
Deferred income taxes	434,775	342,675
Capital stock (note 2)		
Authorized — 803,200 shares, par value \$10 per share		
Issued — 170,040 shares (1975, 113,360 shares)	1,700,400	1,133,600
General reserve	350,000	250,000
Retained earnings	1,312,965	1,033,655
	<u>3,363,365</u>	<u>2,417,255</u>
	<u>4,453,813</u>	<u>3,237,002</u>

Mortgage Fund A

Demand bank loans, secured by Series A bonds	1,079,000	1,207,000
Accrued interest	23,113	14,004
	<u>1,102,113</u>	<u>1,221,004</u>

Mortgage Fund B

Demand bank loans, secured by Series B bonds	—	1,500,000
Series B bonds (note 3)	45,058,467	32,911,650
Accrued interest and expenses	1,664,150	954,705
Mortgages payable	284,151	107,290
	<u>47,006,768</u>	<u>35,473,645</u>
	<u>\$52,562,694</u>	<u>\$39,931,651</u>



Commerce Capital Mortgage Corporation

Statement of Earnings

Year ended December 31, 1976

	<u>1976</u>	<u>1975</u>
Income		
Interest earned on mortgages and bank deposit receipts	\$5,259,551	\$3,630,128
Service fees earned	377,994	342,785
Dividend income	39,820	49,015
	<u>5,677,365</u>	<u>4,021,928</u>
Expenses		
Bank and bond interest	3,954,107	2,803,315
Amortization of financing expenses	181,321	143,427
Administrative expenses including depreciation of \$10,015 (\$6,185 in 1975)	530,887	393,484
	<u>4,666,315</u>	<u>3,340,226</u>
Earnings Before Income Taxes	<u>1,011,050</u>	<u>681,702</u>
Income Taxes		
Current	369,600	237,192
Deferred	92,100	89,576
	<u>461,700</u>	<u>326,768</u>
Net Earnings	<u>\$ 549,350</u>	<u>\$ 354,934</u>
Earnings per Share (note 4)	\$3.29	\$3.13

Statement of Retained Earnings

Year ended December 31, 1976

	<u>1976</u>	<u>1975</u>
Balance at Beginning of Year	\$1,033,655	\$ 807,061
Net earnings	549,350	354,934
	<u>1,583,005</u>	<u>1,161,995</u>
Transfer to general reserve	100,000	100,000
Dividends	170,040	28,340
	<u>270,040</u>	<u>128,340</u>
Balance at End of Year	<u>\$1,312,965</u>	<u>\$1,033,655</u>

Notes to Financial Statements

Year ended December 31, 1976

1. Significant Accounting Policies

- (a) Investment in preferred stocks
No provision is made for the decline in the market value of securities below recorded value as all gains and losses are recorded upon sale.
- (b) Mortgages receivable
Mortgages are subject to continual review and, if required, appropriate provisions are recorded in the accounts for estimated losses.
- (c) Office equipment and leasehold improvements
Office equipment and leasehold improvements are stated at depreciated cost. Depreciation is being provided using the following methods and annual rates:
Office equipment — 20% declining balance
Leasehold improvements — straight line over 10 years
- (d) Unamortized financing expenses
Financing expenses are being amortized on a monthly basis over the term of the bonds.
- (e) Short term investments
Short term investments consist of promissory notes and short term deposit receipts which are recorded at cost.
- (f) Income taxes
The tax allocation method of providing for income tax is being used. Under this method income taxes have been calculated on the basis of reported earnings rather than on earnings currently taxable.
- (g) Service fees earned
Fees are taken into service fees earned over the term of the mortgage

on the sum of the years digits method, except for an amount equal to the estimated cost of establishing mortgage files which amount is included in service fees earned in the year the cost is incurred.

2. Capital Stock

A rights issue to shareholders, which expired on January 20, 1976, resulted in the issue of 56,680 shares at a price of \$10.00 per share, and yielded total proceeds of \$566,800 to the company.

3. Series B Bonds, Mortgage Fund B

Bonds mature as follows:

	1976	1975
1976		\$ 5,276,500
1977	\$ 5,575,847	4,186,800
1978	11,899,700	11,847,100
1979	2,904,157	2,471,750
1980	9,153,000	9,129,500
1981	15,525,763	
	<u>\$45,058,467</u>	<u>\$32,911,650</u>

4. Earnings Per Share

Earnings per share have been calculated based on the weighted average number of shares outstanding in 1976 and 1975 of 166,930 and 113,360 respectively.

5. Lease Commitment

The company operates in leased premises under the terms of a lease expiring on July 31, 1986 which provides for annual rental payments of \$52,000.

6. Name Change

Effective December 1, 1976, the company changed its name from General Mortgage Corporation of Canada to Commerce Capital Mortgage Corporation.

Auditors' Report

To the Shareholders of
Commerce Capital Mortgage Corporation

We have examined the balance sheet of Commerce Capital Mortgage Corporation as at December 31, 1976 and the statements of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, these financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Riddell & Co.

Chartered Accountants

Toronto, Canada
January 19, 1977

